

Message Text

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ACTION EB-08

INFO OCT-01 ISO-00 AF-10 ARA-10 EA-10 EUR-12 NEA-11
IO-13 OIC-02 CTME-00 JUSE-00 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 FRB-03 H-01 INR-10 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 SS-15
STR-07 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01
DOE-15 STRE-00 /169 W
-----095934 071404Z /46

R 071333Z JUN 78
FM USMISSION GENEVA
TO SECSTATE WASHDC 0534
INFO AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY MADRID
AMEMBASSY MONTEVIDEO
AMEMBASSY OSLO
AMEMBASSY OTTAWA
AMEMBASSY PARIS
AMEMBASSY STOCKHOLM

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BRUSSELS FOR USEEC
PARIS FOR USOECD

PASS STR ELECTRONICALLY

E.O. 11652: N/A
TAGS: ETRD, GATT
SUBJECT: GATT COUNCIL MEETING - JUNE 6

REF: STATE 140689

GATT COUNCIL MET JUNE 6 TO DISCUSS THE FOLLOWING TOPICS:

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A. CANADA - WITHDRAWAL OF TARIFF CONCESSIONS UNDER
ARTICLE XXVIII:3 -- THE EC (LUYTEN) HAD ASKED THAT THIS
ITEM BE PLACED ONCE AGAIN ON THE AGENDA EVEN THOUGH THE
COUNCIL HAD ALREADY ADOPTED THE PANEL'S REPORT. THE
EC SAID IT HAD RAISED THE ISSUE AGAIN BECAUSE OF DIFFER-
ING INTERPRETATIONS OF THE PANEL'S FINDINGS. LUYTEN
POINTED OUT THAT THE DISPUTE AROSE BECAUSE OF THE CONVER-

SION OF ITS TARIFFS ON ZINC AND LEAD FROM SPECIFIC TO AD VALOREM DUTIES. HE NOTED THAT THE AD VALOREM EQUIVALENT OF THE SPECIFIC DUTY ON ZINC HAD DECREASED FROM A LEVEL OF 7 PERCENT WHEN THE ITEM HAD FIRST BEEN NEGOTIATED TO AROUND 5 PERCENT IN 1970 WHEN THE NEGOTIATIONS UNDER ARTICLE XXIV:6 TOOK PLACE. IN THE LIGHT OF THIS, HE FELT THE EC'S CONVERSION AT A LEVEL OF 3.5 PERCENT WAS QUITE FAIR. NEVERTHELESS, THE COMMUNITY HAD ACCEPTED THE PANEL'S REPORT AND INTERPRETED IT TO ALLOW THREE OPTIONS: FIRST, THE EC COULD LOWER ITS ZINC DUTY; SECOND, THE EC COULD OFFER COMPENSATORY CONCESSIONS TO CANADA; AND THIRD, THE EC COULD DO NOTHING. LUYTEN SAID THAT IF THE EC DID NOTHING THE PANEL FINDING THAT CANADA HAD MADE EXCESSIVE WITHDRAWALS MEANT THAT CANADA WOULD HAVE TO REDUCE THE EXCESSIVE ELEMENT IN THESE WITHDRAWALS. HE SAID THAT IT WAS THE EC'S RIGHT TO ACCEPT RETALIATION UNDER ARTICLE XXVIII RATHER THAN TO GRANT COMPENSATION OR LOWER THE DUTY ON ZINC TO THE SUGGESTED LEVEL. LUYTEN THEREFORE ASKED THE COUNCIL TO MAKE A RECOMMENDATION IN THIS CASE.

THE CANADIANS DISPUTED LUYTEN'S INTERPRETATION, BASING THEIR ARGUMENT ON THE REASONING OF THE PANEL THROUGHOUT ITS REPORT AND ESPECIALLY ON THE WORDING OF THE LAST PARAGRAPH WHICH STATES THAT CANADA SHOULD REDUCE ITS WITHDRAWALS AS SOON AS THE EC REDUCES THE DUTY ON ZINC LIMITED OFFICIAL USE

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OR OFFERS COMPENSATORY CONCESSIONS. CANADA POINTED OUT THAT NO DUTY HAD ACTUALLY BEEN RAISED IN RETALIATION EVEN THOUGH IT HAD WITHDRAWN THE BINDINGS.

WE INTERVENED TO SAY THAT THE PROBLEM APPEARED TO BE A DISPUTE OVER WHO SHOULD TAKE ACTION FIRST. WE RECOMMENDED THAT THE TWO PARTIES, WITH THE ASSISTANCE OF THE SECRETARIAT, ATTEMPT ONCE MORE TO SEEK AGREEMENT ON SOME TYPE OF SIMULTANEOUS ACTION THAT WOULD MAINTAIN CONCESSIONS AT THE HIGHEST POSSIBLE LEVEL. LUYTEN SAID THAT THERE WAS NO HOPE OF DOING SO; THAT BOTH PARTIES HAD ATTEMPTED TO FIND A NEGOTIATED SOLUTION BUT THAT IT WAS IMPOSSIBLE, AND HE AGAIN ASKED THE COUNCIL FOR AN INTERPRETATION. HE NOTED, HOWEVER, THAT MEMBERS OF THE COUNCIL MIGHT NOT BE ABLE TO DO SO AT THIS MEETING AND ASKED THAT THE ITEM BE PLACED ON THE AGENDA OF THE NEXT MEETING IN ORDER FOR THE COUNCIL TO MAKE A RECOMMENDATION.

B. HONG KONG COMPLAINT AGAINST NORWEGIAN RESTRAINTS -- SEE SEPTEL.

C. EXPORT INFLATION INSURANCE SCHEMES -- COUNCIL AGREED

TO ESTABLISHMENT OF PANEL WITH FOLLOWING TERMS OF
REFERENCE: TO EXAMINE, PURSUANT TO ARTICLE XVI:5, AND
TAKING INTO ACCOUNT THE REPORT OF THE WORKING PARTY ON
EXPORT INFLATION INSURANCE SCHEMES (L/4552), WHETHER
AND UNDER WHAT CONDITIONS EXPORT INFLATION INSURANCE
SCHEMES ARE EXPORT SUBSIDIES WITHIN THE MEANING OF
ARTICLE XVI:4, AND TO REPORT ITS FINDINGS TO THE COUNCIL."
CANADA NOTED THAT ALL INTERESTED PARTIES SHOULD BE
INVITED TO MAKE REPRESENTATIONS TO THE PANEL.

D. URUGUAY SURCHARGES -- WAIVER WAS EXTENDED WITHOUT
COMMENT.

E. SECRETARIAT STUDY ON ARTICLE XIX -- EC, AFTER RESIST-
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ING GATT SECRETARIAT STUDY ON ARTICLE XIX AT LAST COUNCIL

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AND AT SEVERAL INFORMAL SESSIONS, FINALLY AGREED TO LET SECRETARIAT MAKE STUDY. EC SAID THAT STUDY, HOWEVER, SHOULD CONTAIN A DESCRIPTION OF THE APPLICATION AND OF THE INTERPRETATIONS OF ARTICLE XIX SINCE 1947. ANY RELEVANT DISCUSSIONS ON ARTICLE XIX SHOULD BE INCLUDED. IN EXAMINING THE APPLICATION OF ARTICLE XIX, THE SECRETARIAT SHOULD DESCRIBE NOT ONLY ITS FORMAL APPLICATION BUT THE MODALITIES OF ITS IMPLEMENTATION; THAT IS, WHAT PERIODS OF REFERENCE WERE USED IN SETTING UP QUOTAS, DESCRIPTION OF QUOTA SHARES, ETC. PAKISTAN DEL
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SAID THAT THIS GRANDIOSE STUDY WAS NOT WHAT HE HAD IN MIND WHEN HE MADE HIS PROPOSAL; RATHER THAT HE HAD ENVISIONED A SHORT STUDY. HE NEVERTHELESS HAD NO OBJECTIONS IF THIS WOULD MEET THE COMMUNITY'S CRITERIA. SECRETARIAT WILL UNDERTAKE STUDY IMMEDIATELY.

F. SPAIN - RESTRAINTS ON IMPORTS OF PULP -- UNDER OTHER BUSINESS SWEDEN RAISED QUESTION OF SPANISH RESTRAINTS ON IMPORTS OF PULP. ACCORDING TO SWEDISH DEL (DE GEER), SPAIN HAD RESTRICTED IMPORTS OF PULP FOR SOME TIME UNDER A LICENSING PROCESS. AT THE END OF APRIL SPAIN HAD CEASED TO ISSUE LICENSES FOR PULP. AFTER REPRESENTATIONS, THE NORDIC AMBASSADORS IN MADRID HAD BEEN INFORMED THAT THIS PRACTICE WAS DISCONTINUED (APRIL 21), BUT LICENSES WERE STILL WITHHELD. SWEDEN NOW UNDERSTANDS THAT THE SPANISH AUTHORITIES HAVE ESTABLISHED A QUOTA LIMITING IMPORTS OF PULP TO 12,000 TONS PER MONTH. THESE RESTRAINTS ARE FOR THE MAY-OCTOBER PERIOD AND REPRESENT A REDUCTION OF 40 PERCENT FROM PREVIOUS IMPORT LEVELS. SWEDISH DEL ASKED FOR CONFIRMATION OF THIS INFORMATION AND FOR THE SPANISH JUSTIFICATION. WE NOTED THAT U.S. IS ALSO A SUBSTANTIAL EXPORTER OF PULP TO SPAIN AND STATED OUR INTEREST IN HAVING THE SITUATION CLARIFIED.

SPANISH DEL, AFTER DISCURSIVE COMMENTS ON RESTRAINTS AGAINST SPANISH EXPORTS AND LACK OF ACTION ON ITEMS OF INTEREST TO SPAIN IN THE MTN, SAID THAT QRS DID NOT EXIST ON THESE ITEMS. HE SAID THAT THERE HAD BEEN A PROBLEM WITH LICENSING WHICH HAD BEEN CAUSED BY A LARGE ONE-MONTH INCREASE IN REQUESTS FOR LICENSES, BUT THAT THE SITUATION WAS NOW NORMAL. HE SAID, SINCE THE ADMINISTRATION HAS NOT TAKEN SUCH RESTRAINTS, THAT THERE HAD BEEN

NO NOTIFICATION TO THE GATT. DE GEER REPLIED, ACCORDING
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TO HIS INFORMATION, THAT THE SPANISH MINISTRY OF COM-
MERCE HAD MADE AN AGREEMENT WITH THE SPANISH PRODUCERS
OF CELLULOSE AND PAPER ON MAY 26 TO LIMIT IMPORTS TO
12,000 TONS PER MONTH. HE INTERPRETED THE SPANISH DEL'S
COMMENTS TO MEAN THAT NO SUCH AGREEMENT EXISTS AND THAT
IMPORTS WILL NOT BE RESTRAINED. NEVERTHELESS, HE ASKED
THAT THE ITEM BE CARRIED OVER TO THE NEXT MEETING OF
THE COUNCIL. VANDEN HEUVEL

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TRADE, COMMITTEE MEETINGS, TARIFFS
Control Number: n/a
Copy: SINGLE
Draft Date: 07 jun 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978GENEVA08657
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780237-1040
Format: TEL
From: GENEVA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780687/aaaacwzk.tel
Line Count: 239
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 81445e90-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 STATE 140689
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2459077
Secure: OPEN
Status: NATIVE
Subject: GATT COUNCIL MEETING - JUNE 6
TAGS: ETRD, GATT
To: STATE USEEC MULTIPLE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/81445e90-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014